

Message Text

LIMITED OFFICIAL USE

PAGE 01 GEORGE 00111 241942Z

63

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 CIEP-02 TRSE-00 STR-08 OMB-01

CEA-02 COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01

AGR-20 IO-14 INT-08 FEA-02 SCI-06 TAR-02 NIC-01 DRC-01

/220 W

----- 078159

R 241958Z JAN 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 9266

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

LIMITED OFFICIAL USE GEORGETOWN 0111

E.O. 11652: N/A

TAGS: EFIN, ETRD, ENRG, ECON, GY

SUBJECT: GUYANA ABOUT TO RUN OUT OF FOREIGN RESERVES: STRINGENT
IMPORT

RESTRICTIONS LIKELY, BUT WILL HAVE LITTLE EFFECT ON TRADE
DEFICIT

REF: GEORGETOWN 0086

SUMMARY: PM BURNHAM IS EXPECTED TO ANNOUNCE SHORTLY GOG
MEASURES TO REDUCE CURRENT ACCOUNT PAYMENTS. THESE MEASURES,
IMPORT BANS, AND TRAVEL RESTRICTIONS, WILL PROBABLY NOT
PROVE SUFFICIENT TO DIMINISH GUYANA'S INCREASING CURRENT
ACCOUNT DEFICIT, AND DRAWDOWN OF FOREIGN ASSETS. EMBASSY
ESTIMATES A \$30 MILLION (ALL US) TO \$40 MILLION MERCHANDISE
TRADE DEFICIT FOR 1974 DESPITE IMPORT BANS UNLESS SOME RELIEF
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 GEORGE 00111 241942Z

FROM HIGH FUEL COSTS IS FOUND. FURTHER SHORTAGES OF BASIC

FOODS LIKELY, WITH CONSEQUENT CIVIL UNREST A LURKING POSSIBILITY. END SUMMARY.

1. GROWING FEARS OF FINANCIAL CHAOS HAVE PROMOTED PM BURNHAM TO HOLD SEVERAL MEETINGS WITH BUSINESS AND PROFESSIONAL GROUPS SINCE EARLIER DISCUSSION WITH LABOR LEADERS (REFTEL). UNDOUBTEDLY BURNHAM IS SETTING STAGE FOR MAZOR ADDRESS TO NATION ON NEW MEASURES TO REDUCE IMPORTS AND FOREIGN EXCHANGE OUTFLOW. EVEN SEVERE CURTAILMENT OF SO-CALLED NON-ESSENTIALS AND FOREIGN TRAVEL RESTRICTIONS WILL NOT LIKELY PROVE SUFFICIENT TO WARD OFF RESERVES DRAWDOWN TO POINT WHERE BANK OF GUYANA WILL BE UNABLE TO CASH CHECKS EXTERNALLY, NOR WILL GUYANESE BE ABLE TO PURCHASE OVERSEAS AIRLINE TICKETS WITH OTHER THAN HARD CURRENCY. OTHER EMBARRASSING AS WELL AS BURDENSOME EFFECTS ARE IN STORE, SUCH AS HIGHER PRICES FOR ESSENTIAL IMPORTS PARTIALLY BROUGHT ABOUT BY NECESSARILY SOFTER CREDIT TERMS. SOME TEMPORARY RELIEF MAY COME IF GOG CAN OBTAIN MEDIUM-TERM FINANCING FROM COMMERCIAL MONEY MARKETS.

2. 1974 TRADE PICTURE DOES NOT BRIGTEN OTHERWISE GLOOMY SITUATION. NORMAL DOMESTIC DEMAND FOR IMPORTS WILL PROBABLY REMAIN AT ABOUT LAST YEAR'S LEVEL OF \$155 MILLION. TO THIS MUST ADD ESTIMATED \$28 MILLION IN INCREASED FUEL COSTS, \$5 MILLION IN ADDITIONAL WHEAT COST, AND VERY CONSERVATIVE AVERAGE PRICE INFLATION FOR OTHER IMPORTS ABOUT \$6 MILLION. THIS WOULD BRING TOTAL IMPORT BILL TO \$194 MILLION. EVEN MOST OPTIMISTIC ESTIMATE 1974 EXPORTS, WHICH ASSUMES BAUXITE PRODUCTION AND SALES 15 PERCENT ABOVE LAST YEAR, AND SUGAR EXPORTS (320,000 LT5 AT MOST FAVORABLE PRICES, WOULD STILL LEAVE A MERCHANDISE TRADE DEFICIT OF \$21 MILLION. IMPORT BANS ON A NUMBER OF ITEMS (PARA 4 REFTEL) COULD BRING THE DEFICIT FIGURE DOWN TO \$13 MILLION. MORE LIKELY OUTCOME, WHICH THOUGH ALSO OPTIMISTIC IS NOT UNREALISTIC, ENVISIONS 10 PERCENT INCREASE IN BAUXITE EARNINGS OVER 1972 DUE MAINLY TO STRONGER MARKETS FOR CALCINED BAUXITE BRINGING IN TOTAL OF \$66 MILLION: AND SALES OF 320,000 LT(LONG TONS) SUGAR WITH 189,000 LT GOING TO UK AT \$135/LT AND REMAINING 131,000 LT TO US AT \$242/LT GIVING TOTAL OF \$57 MILLION. BOTH CASES ASSUME GROWTH OF OTHER EXPORTS TO TOTAL \$30 MILLION. THIS STILL LEAVES TRADE DEFICIT OF \$33 MILLION EVEN AFTER ALLOWANCE FOR LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 GEORGE 00111 241942Z

REDUCED IMPORTS DUE TO ANNING. OVERALL ASSUMPTION IS THAT GOG WILL BE ABLE TO FINANCE DEFICIT THROUGH CAPITAL ACCOUNT INFLOW.

3. PRODUCTION ESTIMATES FOR SUGAR AND BAUXITE ASSUME GOOD WEATHER CONDITIONS, LITTLE OR NO LABOR PROBLEMS, AND OPTIMUM MAINTENANCE OF PLANT AND EQUIPMENT. ANOTHER DISASTROUS YEAR LIK091973 COULD, HOWEVER, BEGGAR THIS COUNTRY, BRING

ECONOMIC DEVELOPMENT PROJECTS TO A STANDSTILL, AND CREATE SHORTAGES OF FOODSTUFFS, AND OTHER ESSENTIAL HERETOFORE NOT EXPERIENCED. ALREADY THERE IS EVIDENCE OF THE POOREST CLASS LIVING MORE AND MORE OUTSIDE OF THE MONEY ECONOMY. THE WORKING PPOR WHOSE WAGES HAVE NOT KEPT UP WITH PRICE INCREASES WILL BE HARDEST HIT BY BANS, AND CONSEQUENT FURTHER PRICE INCREASES FOR SUBSTITUTES. IF BUTTER IS BANNED FOR EXAMPLE, RELATIVELY EXPENSIVE MARGERINE FROM CARIFTA EXPORTERS WILL PROBABLY REPLACE IT. ANOTHER EXAMPLE IS RICE PRODUCTION, WHICH HAS NOT SIGNIFICANTLY INCREASED FOR PAST TEN YEARS, AND INDEED DECLINED SHARPLY IN 1972 AND 1973. THERE WILL BE A GREATER DOMESTIC DEMAND FOR RICE IF POTATOES ARE BANNED, (GUYANA CONSUMES ABOUT 18 MILLION LBS. ANNUALLY) THUS FORCING THE DECISION TO EXPORT LESS OR DECREASE DOMESTIC SUPPLY.

4. SHORTAGES IN AND OF THEMSELVES, NOT CAUSE FOR ALARM OR PREDICTIONS CIVIL DISTURBANCES. WHAT COULD TRIGGER THIS, HOWEVER, ARE UNCONTROLLAGE PRICE INCREASES FOR IMPORTED ESSENTIALS, AND NECESSARY PRICE INCREASES OF CONTROLLED DOMESTIC GOODS IN ORDERTO MAINTAIN PRODUCTION LEVELS. WITH EXCEPTION GOG'S WHEAT SUBSIDY, IT DIFFICULT TO FATHOM HOW GOG CAN AVOID PASSING ON FURTHER INCREASES TO CONSUMERS. IN ANY EVENT, OPPOSITION PPP WILL UNDOUBTEDLY PLAY BURNHAM'S IMMINENT AUSTERITY ANNOUNCEMENT TO HILT. WILL REPORT REACTIONS. KING

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, INFLATION, SUGAR, BAUXITE, ECONOMIC CONDITIONS, IMPORT CONTROLS, TRAVEL CONTROLS, CIVIL DISORDERS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974GEORGE00111
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: GEORGETOWN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740119/aaaaarqs.tel
Line Count: 140
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: GEORGETOWN 0086
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by WorreISW>; APPROVED <10-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GUYANA ABOUT TO RUN OUT OF FOREIGN RESERVES: STRINGENT IMPORT
TAGS: EFIN, ETRD, ENRG, ECON, GY
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005